

Message Text

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ACTION STR-07

INFO OCT-01 ISO-00 STRE-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-11 IO-13
/167 W

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P 231912Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 1301
INFO AMEMBASSY PRETORIA

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USMTN
ACTION STR

EO 11652: N/A
TAGS: ETRD, GATT, MTN
SUBJECT: US-SOUTH AFRICAN MTN BILATERAL

1. SUMMARY: US MTN DEL (MOORE, MALISH) MET REPUBLIC OF
SOUTH AFRICA DEL (LOWRY, PIENAAR, SAULEZ, BEZUIDENHOUT)
TO DISCUSS ALL MTN ISSUES EXCEPT CODES. SA DEL INDICATED
IT SAW A BILATERAL BALANCE IN TARIFF CONCESSIONS ASSUMING
THAT US COUNTED FULL TRADE VALUE FOR THE ELIMINATION OF
UK PREFERENCES ON SOME 81 MILLION DOLLARS OF US EXPORTS
TO SOUTH AFRICA. SA DEL REFERRED TO US/SOUTH AFRICAN
KENNEDY ROUND AGREEMENT ON EXCHANGE OF INITIAL NEGOTIATING
RIGHTS (INR'S) AND ASKED IF US WOULD AGAIN BE WILLING TO
EXCHANGE SPECIFIC INR'S ON SPECIFIC ITEMS. FINALLY, SOUTH
AFRICAN DEL GAVE US A LONG LIST OF NTM OFFERS. WHEN
QUESTIONED ABOUT ABSENCE OF ANY SOUTH AFRICAN NTM REQUESTS,
SA DEL REPLIED THAT SOUTH AFRICA SEEKS AN OVERALL BALANCE
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OF MTN CONCESSIONS. US DEL CONDUCTED DISCUSSION ALONG
LINES OF STATE 115802, ALTHOUGH THE EXTENSIVE NTM OFFER
AND OFFER TO ELIMINATE UK PREFERENCES, WHICH HAVE NOT YET
BEEN ANALYZED BY USG, TENDED TO TEMPER OUR EXPRESSIONS OF
DISAPPOINTMENT IN SOUTH AFRICA'S MTN PERFORMANCE. END
SUMMARY

2. US/SA BILATERAL PROVED TO BE INTERESTING AND INFORMATIVE. US DEL (MOORE) OPENED MEETING BY EXPLAINING US OFFER AND HIGHLIGHTING THOSE ITEMS OF INTEREST TO SOUTH AFRICA WHICH WERE INCLUDED IN JULY 19 REVISION OF US TARIFF OFFER. US DEL NOTED THAT IN A REQUEST/OFFER PROCEDURE FULFILLMENT OF REQUESTS WAS THE USUAL METHOD OF DETERMINING THE SUCCESS OF THE NEGOTIATIONS. ANY IMPROVEMENTS, WE NOTED, ARE LIKELY TO BE CONDITIONAL ON OFFERS MADE BEFORE JUNE 20, 1978.

3. SA DEL REPLIED THAT HIS GOVERNMENT HAD SPENT SIX MONTHS STUDYING THE REQUESTS RECEIVED. IN AGRICULTURAL TARIFFS, SOUTH AFRICA HAD AGREED TO GO TO FREE ON HORSES (01.01.10 AND .20) AND ON ALMONDS (08.05.10) AND TO 400 CENTS PER 100 KG ON WALNUTS (08.05.40). ON PEP-TONES, ETC., (35.04) SOUTH AFRICA HAD AGREED TO BIND AT THE CURRENT RATE. WE NOTED THAT WHILE WE WLECOMED THESE CONCESSIONS, WE WOULD WANT TO DISCUSS AGAIN THE POSSIBILITY OF SOUTH AFRICA MEETING MORE OF OUR REQUESTS.

4. REGARDING INDUSTRIAL TARIFFS, US DEL NOTED THAT, WHILE WE HAD MADE REQUESTS ON 67 ITEMS AND WHILE SOUTH AFRICA HAD MADE OFFERS ON 58 ITEMS, ONLY "TWO AND A HALF" OFFERS MET US REQUESTS. AS SUCH, THE SA OFFER WAS TOTALLY UNACCEPTABLE. SA DEL REPLIED THAT IT WAS OFFERING TARIFF REDUCTIONS ON SAWS AND SAW BLADES (EX 82.02.10), 18 TO LIMITED OFFICIAL USE

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15 PERCENT AD VALOREM, AND ON MINING MACHINERY AND PARTS (84.23.10 AND .12) FROM 5 PERCENT TO FREE. THE U.S. TRADE VALUE INVOLVED WAS 29.3 MILLION DOLLARS. IN ADDITION, SOUTH AFRICA WAS OFFERING TO ELIMINATE A DISCRETIONARY PREFERENCE IN FAVOR OF THE UK ON ANOTHER 81.4 MILLION DOLLARS IN US TRADE. ALTHOUGH NO RATE REDUCTIONS WOULD BE INVOLVED (THE UK PREFERENTIAL RATES WOULD BE RAISED TO THE MTN LEVEL) AND ALTHOUGH UNBOUND ITEMS IN THIS CATEGORY WOULD REMAIN UNBOUND, SA DEL ASKED THAT WE VALUE THIS "CONCESSION" AT ITS FULL TRADE VALUE. US DEL REPLIED THAT, USING THAT KIND OF LOGIC, SOUTH AFRICA SHOULD OWE THE US FOR LEAVING THE US DUTY ON HIGH-CARBON FERROCHROMIUM UNCHANGED. WITHOUT COMMENTING AS TO HOW THE ELIMINATION OF THE UK PREFERENCE WOULD ACTUALLY BE VALUED, WE NOTED THAT THE US OFFER COVERED IMPORTS FROM SOUTH AFRICA AMOUNTING TO 114 MILLION DOLLARS. SOUTH AFRICA AGREED WITH THIS VALUE.

5. LOWRY PRESENTED US DEL WITH COPY OF BILATERAL AGREEMENT (HAND-CARRIED BY BETSY WHITE TO ANN HUGHES) UNDERTAKEN IN THE KENNEDY ROUND, IN WHICH US AND SOUTH AFRICA SPECIFICALLY EXCHANGED INTIIAL NEGOTIATING RIGHTS ON A

NUMBER OF PRODUCTS. LOWRY ASKED IF THE US WOULD AGAIN UNDERTAKE A "MUTUAL BILATERAL BINDING" ON A SMALL NUMBER OF ITEMS. (HE MENTIONED THE SIX WOOL ITEMS ON SA'S REQUEST LIST AND FLUORSPAR.) US DEL REPLIED THAT IT HAD NO INSTRUCTIONS FROM WASHINGTON ON THE QUESTION OF INR'S AND NOTED THAT OTHER COUNTRIES HAD RAISED THE SAME ISSUE. US DEL ALSO NOTED THAT INR'S HAVE NOT BEEN DISCUSSED IN DETAIL EVEN WHEN THE TARIFFS GROUP WAS MEETING, BUT THAT WE WOULD INFORM WASHINGTON AND URGE AN EARLY REPLY.

6. SA DEL ASKED IF US DEL HAD ANY QUESTIONS ON THEIR NTM OFFER. THROUGH A SNAFU BETWEEN THE GATT DISTRIBUTION SYSTEM AND US DEL, THIS OFFER, DATED MAY 3, HAD NEVER REACHED DEL. WE WERE GIVEN A COPY (ALSO BEING HAND-LIMITED OFFICIAL USE

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USMTN
ACTION STR

CARRIED BY BETSY WHITE) AT MEETING, BUT DEFERRED REPLY
UNTIL OFFER COULD BE ASSESSED. US DEL QUESTIONED HOW SA

EXPECTED TO PROCEED ON NTM'S IN ABSENCE OF ANY NTM REQUESTS BY SA, ESPECIALLY SINCE MANY SA NTM OFFERS INDICATE ONLY THAT SPECIFIC MEASURES "CAN BE LIBERALIZED." SA DEL REPLIED THAT POSITIVE OFFERS ARE ON TABLE AND THAT DEGREE OF LIBERALIZATION WILL DEPEND ON COMPENSATION ACHIEVED IN OVERALL NEGOTIATIONS. COMMENT: THIS POINT, OF COURSE, CONFLICTS WITH SA'S CAREFUL BILATERAL BALANCING ON TRADE COVERAGE OF TARIFF CONCESSIONS. END COMMENT

7. COMMENT: OUR QUICK EXAMINATION OF SA OFFER SHOWS A WILLINGNESS TO REDUCE OR ELIMINATE QR'S AND LICENSING ON A LARGE NUMBER OF ITEMS. US DEL WOULD APPRECIATE EVALUATION OF THIS NTM OFFER AND THE OFFER ON ELIMINATION OF UK PREFERENCE ASAP. WE BELIEVE THAT SA POSITION WILL BE THAT ITS TARIFF CONCESSIONS AND POTENTIAL NTM LIMITED OFFICIAL USE

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CONCESSIONS EXCEED US OFFERS. SA WILL, THEREFORE, VIEW A POSITIVE US RESPONSE TO ITS THREE TARIFF REQUESTS ON NON-AGRICULTURAL ITEMS AND THE INR EXCHANGE AS THE MINIMUM PRICE FOR A BILATERAL AGREEMENT. END COMMENT.

8. SA DEL WAS PARTICULARLY INTERESTED IN WHAT JULY 15 WOULD BRING. DOES US DEL EXPECT, THEY ASKED, THAT THE MEAT, DAIRY AND GRAINS AGREEMENTS WOULD BE WRAPPED UP BY JULY 15? THEY ALSO WONDERED WHETHER TARIFF NEGOTIATIONS WITH SMALLER COUNTRIES WOULD BE OVER ON THAT DATE. US DEL REPLIED THAT A SUCCESSFUL AGRICULTURE PACKAGE WOULD BE AN ESSENTIAL ELEMENT OF A JULY 15 POLITICAL AGREEMENT, THE DETAILS OF WHICH WOULD REMAIN UNDER NEGOTIATION UNTIL THAT TIME. NEVERTHELESS, IT IS LIKELY THAT NEGOTIATIONS ON TECHNICAL DETAILS AND ADJUSTMENTS TO OFFERS WOULD CONTINUE BEYOND THE 15TH. US DEL CITED TIME REQUIRED FOR RESPONSE TO US REVISED TARIFF OFFER AND EVALUATION OF LDC AND SOME DC OFFERS NOT YET TABLED WOULD NECESSARILY EXTEND NEGOTIATIONS ON CERTAIN DETAILS BEYOND JULY 15. SA DEL RESPONDED THAT AT LEAST ONE MAJOR COUNTRY HAS INFORMED SMALLER COUNTRIES THAT JULY 15 WOULD BE THE DEADLINE FOR ITS BILATERAL NEGOTIATIONS. UNDER PROBING, SA IDENTIFIED THAT COUNTRY AS THE EUROPEAN COMMUNITIES.

9. COMMENT: THE QUESTION OF INR'S IS EXCEEDINGLY IMPORTANT, ESPECIALLY FOR SMALLER DEVELOPED COUNTRIES WHO ARE NEGOTIATING ON ITEMS OF CONSIDERABLE TRADE SIGNIFICANCE TO THEM, BUT ON WHICH THEY CAN NEVER HOPE TO BE PRINCIPAL SUPPLIERS. WE HAVE GENERALLY ASSUMED THAT TOKYO ROUND, LIKE THE KENNEDY ROUND, WOULD RESULT IN FLOATING INR'S. NEVERTHELESS, SMALLER DC'S (SOUTH AFRICA AND AUSTRIA ARE TWO EXAMPLES) WANT THE INSURANCE OF SPECIFICALLY NEGOTIATED INR'S AND APPEAR WILLING TO PAY

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FOR THEM. US DEL URGES TPSC CONSIDERATION AND DECISION
ASAP ON THIS ISSUE BECAUSE SUCH ARRANGEMENTS APPEAR TO
OFFER A NET NEGOTIATING ADVANTAGE TO THE US. END
COMMENT

10. DRAFTED BY MALISH/MOORE. MCDONALD

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